

Message Text

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 5272

INFO AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 15460

DEPARTMENT PASS JOHN SANDS, MAJOR PROJECTS DIVISION, COMMERCE

E. O. 11652: GDS

TAGS: BEXP, IN

SUBJ: KUDREMUKE IRON ORE DEVELOPMENT

REF: STATE 251558

1. MINATT SWEETWOOD MET WITH MINISTRY OF STEEL & MINES
JOINT SECRETARY S. D. PRASAD NOVEMBER 12 (PRIORIR TO RECEIPT
OF REFTEL) TO ASCERTAIN CURRENT INDIAN POSITION, PROGRESS
AND OUTLOOK ON KUDREMUKE. THE FORTHCOMING INDO-IRANIAN
AGREEMENT WAS DISCUSSED, PLANS WERE REVIEWED FOR FUTURE
CONTACTS BY THE GOI OF INTERESTED FOREIGN CONTRACTORS, AND
WERE AGAIN OFFERED USG ASSISTANCE TO THE EXTENT POSSIBLE (AND
IN LINE WITH NEW DELHI A-390). (PRASAD IS THE MINISTRY'S
NEWLY-APPOINTED MAN IN CHARGE OF KUDREMUKE, AT LEAST INsofar
AS THE UPCOMING AGREEMENT IS CONCERNED. HE WILL ALSO
PRESUMABLY FOLLOW THROUGH ON PLANNING FOR FOREIGN
CONTRACTOR SELECTION, ALTHOUGH RELIABLE SOURCES CLAIM
THAT NATIONAL MINERAL DEVELOPMENT CORPORATION PLANNING
CHIEF, O. P. VASUDEVA, WILL SOON BE APPOINTED TO HEAD UP
A NEW INDIAN COMPANY TO BE FORMED TO MANAGE THE KUDREMUKE
PROJECT.)

2. PRASAD STATED THAT THE IRANIAN TECHNICAL TEAM (REFTEL,
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AND NEW DELHI A-390) IS EXPECTED TO ARRIVE IN NEW DELHI

NOVEMBER 16 FOR "FINAL DISCUSSIONS ON THE INDO-IRANIAN KUDREMUKH AGREEMENT". HE NOTED, HOWEVER, THAT THERE HAD BEEN (SOME SLIPPAGE TO DATE" BECAUSE OF DETAILS YET TO BE WORKED OUT, AND HE CANDIDLY ADMITTED THAT STILL FURTHER NEGOTIATIONS MAY BE REQUIRED BEFORE THE "FINAL" AGREEMENT IS ATTAINED. BECAUSE OF THIS, HE SAID, THE GOI WAS NOT REPEAT NOT YET IN A POSITION TO PRECISELY SCHEDULE THE INDIAN TEAM'S VISIT TO THE US (OR ELSEWHERE). HE NONETHELESS STRESSED THAT AN INDIAN TEAM VISIT TO "VARIOUS AMERICAN COMPANIES" IS DEFINITELY PLANNED AND THAT HE WOULD PERSONALLY SEEK THIS EMBASSY'S ASSISTANCE IN THIS REGARD "AT THE APPROPRIATE TIME". WE REVIEWED THE LIST OF AMERICAN COMPANIES THAT THIS EMBASSY RECOMMENDS AS BEING TECHNICALLY QUALIFIED (ENCLOSURE 1 OF NEW DELHI A-300), AND AGREED TO MEET AGAIN IMMEDIATELY FOLLOWING THE DEPARTURE FROM INDIA OF THE IRANIAN TEAM.

3. PRASAD MADE IT ABUNDANTLY CLEAR THAT THE GOI DOES NOT REPEAT NOT CURRENTLY FAVOR ANY SINGLE COMPANY. HE SAID THAT HE AND HIS STAFF AGREE THAT THE KUDREMUKH PROJECT WILL BE "TOO LARGE FOR ANY ONE FOREIGN FIRM TO HANDLE ALONE", AND THAT THE GOI WOULD THEREFORE POSITIVELY APPROACH THE PROBLEM WITH A CONSORTIUM-TYPE ARRANGEMENT IN MIND. THE GOI IS WELL AWARE OF THE MCKEE AND KAISER INTEREST, BUT WOULD PREFER TO POSTPONE FURTHER TALKS WITH THE REPRESENTATIVES OF THESE FIRMS. PRASAD SAID THAT HIS TECHNICAL TEAM WILL HOPE TO MEET WITH EACH AT THE TIME OF THE INDIAN VISIT TO THE US; AND WILL WANT TO MEET WITH OTHER QUALIFIED AND INTERESTED FIRMS AS WELL.

4. MARCONA WAS DISCUSSED IN DEPTH. PRASAD REITERATED THAT MARCONA WOULD BE WELCOME "TO HAVE ANOTHER LOOK AT KUDREMUKH", BUT POINTED OUT THAT THE MARCON-FLOW SLURRY

PROCESS ENVISAGED PREVIOUSLY (QOYIAQOUEL DOES NOT MEET THE REQUIREMENTS CURRENTLY SET FORTH FOR IRAN'S DIRECT REDUCTION PROCESSING DEMANDS (THOUGH IT IS WELL SUITED TO EARLIER PLANS TO PROVIDE A SLURRY TO JAPAN'S BLAST FURNACES). HE SAID ALSO THAT THE ECONOMICS OF THE MARCONA-FLOW DEPEND UPON SHIPMENTS OF A WET SLURRY IN

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LARGE, CAPTIVE, CARRIERS (50,000-60,000 DWT). THESE COULD BE LOADED VIA OFFSHORE FACILITIES IN INDIA, BUT UNLOADING IN IRAN (REPORTEDLY) WOULD BE INFEASIBLE--AND A DEAD-HEAD BACKHAUL TO INDIA WOULD BE ALMOST INESCAPABLE. CONVERSELY, SMALLER VESSELS (UP TO 30,000 DWT) CARRYING A DRY CONCENTRATE COULD BE PIER-LOADED AT MANGALORE, UNLOADED EASILY IN IRAN AND FURTHER UTILIZED FOR GENERAL FREIGHT ON THE RETURN TRIP TO INDIA. PRASAD ACKNOWLEDGED

MARCONA'S CAPABILITY TO DISPOSE OF THE VOLUME OF OFFTAKE THAT THE IRANIANS CANNOT USE, BUT DISMISSED THIS AS A LOW PRIORITY CONSIDERATION IN LIGHT OF THE IRANIAN'S OFFER TO BUY THE ENTIRE OFFTAKE FROM THE OUTSET (AND TO SELL SURPLUS CONCENTRATES ON THE WORLD MARKET IN PELLET FORM; NEW DELHI A-390). THE NEWLY-CREATED INDO-IRANIAN SHIPPING COMPANY (51 PERCENT GOVERNMENT OF IRAN; 49 PERCENT GOVERNMENT OF INDIA) IS UNQUESTIONABLY AN INFLUENCE HERE, AND MAY BE EXPECTED TO PLAY A MAJOR ROLE IN THE IMPLEMENTATION OF THIS PROJECT. PRASAD OPINED THAT MARCONA MAY WISH TO PARTICIPATE AS A CONTRACTOR/ADVISOR TO THE SHIPPING COMPANY, AND MAY BE POSSIBLY INTERESTED IN THE MINING COMPONENT OF THE OVERALL PROJECT AS WELL (PAGE 5 OF NEW DELHI A-390); ALBEIT NOT TO THE EXCLUSION OF OTHER BIDDERS THAT MAY HAVE SIMILAR INTERESTS.

5. COMMENT: WHILE WE DO NOT WISH TO JEOPARDIZE OR IN ANY WAY NULLIFY MARCONA'S POSITION VIS-A-VIS THE GOI AND KUDREMUKH, WE CANNOT ACCEPT THE FIRM'S THESIS THAT, BECAUSE OF PRIOR INVOLVEMENT AND A SUBSEQUENT INDIAN REQUEST FOR A POSSIBLE ADDITIONAL MARCONA ROLE IN THE FUTURE, WE WOULD NOW PREJUDICE THEIR POSITION BY CANVASSING OTHER QUALIFIED AMERICAN COMPANIES. TO THE CONTRARY. WE WILL BE TOTALLY REMISS IN OUR RESPONSIBILITIES TO AMERICAN ENTERPRISE IF WE DO NOT NOW CANVASS EACH QUALIFIED FIRM--TO ASCERTAIN ITS INTEREST IN THIS PROJECT.

6. MARCONA DID A JOB FOR THE INDIANS, AND WAS ADEQUATELY PAID FOR ITS SERVICES. THE GOI MAY NOW LEGALLY AND ETHICALLY MAKE USE OF ALL DATA PROVIDED BY MARCONA, TO THE EXTENT POSSIBLE--AND THE INDIANS MAY BE EXPECTED TO DO SO. THE INDIANS MAY EVENTUALLY COME BACK TO MARCONA IN ONE CAPACITY OR ANOTHER, BUT MEANWHILE THEY ARE AWARE THAT A MARCONA

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PRESENCE IS NOT THE ONLY POSSIBLE SOLUTION. THEY ARE NOT "PARTICULARLY IMPRESSED WITH MARCONA" (PARA 2, REFTEL). INDEED, THE GOI IS ALMOST TOTALLY LACKING IN "ANSWERS" TO KUDREMUKH AT THE MOMENT, AND WILL THEREFORE CONTINUE TO LOOK TO THE USG FOR GUIDANCE IN THE DIRECTION OF OTHER COMPETENT AMERICAN FIRMS. MARCONA CANNOT EXPECT US TO DISCOURAGE THE INDIANS FOR LOOKING AT ALL QUALIFIED FIRMS, AND WE CANNOT WILLFULLY WITHHOLD APPROPRIATE INFORMATION FROM SUCH FIRMS. WE SHOULD NOT, OF COURSE, ALLOW ANNOUNCEMENTS TO FILTER DOWNWARD INTO THE HANDS OF OBVIOUSLY UNQUALIFIED COMPANIES OR GROUPS. OUR CANVASSING SHOULD REMAIN SELECTIVE, BUT IT SHOULD COVER THE APPROPRIATE WATERFRONT; AND AT AN EARLY DATE IF AU ARE TO ADEQUATELY RESPOND TO GOI REQUESTS FOR ASSISTANCE. END COMMENT.

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